

CITY OF

uMHLATHUZE

VISION INTO ACTION

City of uMhlathuze
Annual Financial Statements
for the year ended 30 June 2018

General Information

Nature of business and principal activities	Local government
Executive committee	
Councillors	Cllr MG Mhlongo (Mayor) Cllr KD Sibiya (Deputy Mayor) Cllr SG Mkhize (Speaker) Cllr M Lourens (Chief Whip) Cllr LCM Fourie (Exco) Cllr TS Gumede (Exco) Cllr BC Mthembu (Exco) Cllr K Mthethwa (Exco) Cllr DJ Ndimande (Exco) Cllr TM Phahla (Exco) Cllr M Sookroo (Exco) Cllr RM Zikhali (Exco) Cllr SB Mabaso (Chairperson of section 79 MPAC)
Chief Finance Officer (CFO)	Mr M Kunene
Accounting Officer	DR NJ Sibeko
Registered office	5 Mark Strasse Central Business District Richards Bay 3900
Business address	5 Mark Strasse Central Business District Richards Bay 3900
Postal address	Private Bag X1004 Richards Bay 3900
Bankers	ABSA
Auditors	Auditor-General South Africa Registered Auditors

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Municipal Council:

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance for the year ended 30 June 2018	5
Statement of Changes in Net Assets for the year ended 30 June 2018	6
Cash Flow Statement for the year ended 30 June 2018	7
Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2018	8 - 13
Accounting Policies for the year ended 30 June 2018	14 - 29
Notes to the Annual Financial Statements for the year ended 30 June 2018	30 - 65
Appendixes (not subject to audit):	
Appendix A: Schedule of External loans as at 30 June 2018	66
Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2018	67
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 , MFMA , 56 of 2003	70

CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSCOA	Municipal Standard Chart of Account
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act.

The annual financial statements set out on pages 4 to 65, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and were signed off on 31 August 2018.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2018.



DR NJ Sibeko
Accounting Officer

Richards Bay

31 August 2018

Auditor-General of South Africa

City of uMhlathuze

Audit report 2017-18

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the City of uMhlathuze

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of uMhlathuze set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of uMhlathuze as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

7. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, we do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting officer is responsible for assessing the City of uMhlathuze's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
Development priority 2 – basic service delivery and infrastructure development	x – x

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. The annual performance report on pages … to … includes information on the achievement of planned targets for the year.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of development priority 2 – basic service delivery and infrastructure development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material finding on compliance with specific matters in key legislation is as follows:

Procurement and contract management

22. Some of the bid documentation for procurement of commodities designed for local content and production, did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 9(1) of 2011.

Other information

23. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.

24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. The other information I obtained prior to the date of this auditors' report is the mayors foreword and accounting officers report, and the audit committee report are expected to be made available to me after 30 November 2018.

27. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other nformation, I am required to report that fact.

28. When I do receive and read the audit committee report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

30. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

Financial management

31. The accounting officer did not respond in a timely manner to the risk of non-compliance with legislation relating to updating of compliance checklists with all the required legislative requirements relating to the procurement of local content.

Other reports

32. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

33. The Kwazulu-Natal Department of Co-operative Governance and Traditional Affairs investigated allegations of possible maladministration and corruption at the request of the municipality which covered the period 1 July 2013 to 30 June 2014. The investigation was concluded on 30 June 2015; however, the report has yet to be issued by the department.

Auditor-General SA

Pietermaritzburg

30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of uMhlathuze's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 Restated* R
Assets			
Current Assets			
Inventories	2	72 791 919	74 767 901
Current portion of long-term receivables	3	45 848	30 481
Receivables from non-exchange transactions	4	97 606 357	126 481 038
VAT receivable	5	-	34 246 293
Receivables from exchange transactions	6	412 170 563	350 981 207
Cash and cash equivalents	7	460 422 240	715 115 759
		1 043 036 927	**1 301 622 679**
Non-Current Assets			
Investment property	8	123 372 704	124 004 990
Property, plant and equipment	9	5 406 836 319	5 288 867 600
Intangible assets	10	66 897 945	33 724 253
Heritage assets	11	2 766 994	2 766 994
Long-term receivables	3	-	48 103
		5 599 873 962	**5 449 411 940**
Total Assets		**6 642 910 889**	**6 751 034 619**
Liabilities			
Current Liabilities			
Financial liabilities	12	145 258 677	155 996 320
Payables from exchange transactions	13	443 549 901	604 342 258
VAT payable	49	10 601 503	-
Consumer deposits	14	82 040 332	67 946 807
Unspent conditional grants and receipts	15	15 676 399	10 596 053
Provisions	16	15 176 264	13 899 657
		712 303 076	**852 781 095**
Non-Current Liabilities			
Financial liabilities	12	394 165 665	539 612 552
Employee benefit obligation	17	220 079 000	332 531 737
		614 244 665	**872 144 289**
Total Liabilities		**1 326 547 741**	**1 724 925 384**
Net Assets		**5 316 363 148**	**5 026 109 235**
Reserves			
Housing development fund	18	3 061 960	3 061 960
Accumulated surplus	19	5 313 301 188	5 023 047 275
Total Net Assets		**5 316 363 148**	**5 026 109 235**

* See Note 41

Statement of Financial Performance for the year ended 30 June 2018

	Note(s)	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	1 823 519 981	1 998 477 392
Rental of facilities and equipment		8 722 479	11 111 229
Interest earned - outstanding debtors		102 819	45 202
Agency services		6 356 294	6 594 664
Licences and permits		3 876 502	3 830 585
Reduction in post-employment benefits	17	112 452 737	8 742 864
Operational revenue	21	57 711 624	68 936 039
Interest received - investment	22	76 055 871	60 875 363
Gain on disposal of land	35	652 684	1 368 441
Gains from transfer of functions between entities not under common control	51	-	39 467 128
Total revenue from exchange transactions		**2 089 450 991**	**2 199 448 907**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	442 660 780	397 693 723
Property rates - penalties imposed	23	2 013 216	3 211 971
Surcharges and Taxes	47	4 492 333	5 340 265
Transfer revenue			
Transfers and subsidies	24	463 327 708	424 859 036
Public contributions and donations	25	3 972 232	2 543 313
Fines, Penalties and Forfeits		7 848 582	14 325 913
Total revenue from non-exchange transactions		**924 314 851**	**847 974 221**
Total revenue		**3 013 765 842**	**3 047 423 128**
Expenditure			
Employee related costs	26	700 888 831	644 024 834
Remuneration of councillors	27	29 341 691	25 542 373
Depreciation and amortisation	28	348 560 825	352 389 418
Finance costs	29	67 690 845	68 940 376
Debt Impairment	30	27 153 878	8 891 010
Collection costs		2 142 943	2 090 644
Bulk purchases	31	962 387 727	1 201 342 941
Contracted services	32	276 965 478	261 876 598
Transfers and subsidies	33	11 517 223	9 319 378
Loss on disposal of assets and liabilities		1 449 010	1 295 842
Operating expenses	34	295 413 472	258 474 704
Total expenditure		**2 723 511 923**	**2 834 188 118**
Surplus for the year		**290 253 919**	**213 235 010**

* See Note 41

Statement of Changes in Net Assets for the year ended 30 June 2018

	Housing Development Fund	Accumulated surplus	Total net assets
	R	R	R
Restated* Balance at 01 July 2016	**3 061 960**	**4 809 812 265**	**4 812 874 225**
Changes in net assets			
Surplus for the year	-	213 235 010	213 235 010
Total changes	-	213 235 010	213 235 010
Restated* Balance at 01 July 2017	**3 061 960**	**5 023 047 269**	**5 026 109 229**
Changes in net assets			
Surplus for the year	-	290 253 919	290 253 919
Total changes	-	290 253 919	290 253 919
Balance at 30 June 2018	**3 061 960**	**5 313 301 188**	**5 316 363 148**
Note(s)	18		

* See Note 41

Cash Flow Statement for the year ended 30 June 2018

	Note(s)	2018 R	2017 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 836 734 793	2 014 928 886
Grants		467 299 940	427 402 349
Interest income		76 055 871	60 875 363
Other receipts		520 466 998	488 969 655
		2 900 557 602	2 992 176 253
Payments			
Employee costs		(700 888 831)	(644 024 833)
Suppliers		(1 731 951 590)	(1 751 426 559)
Finance costs		(67 690 845)	(68 940 376)
		(2 500 531 266)	(2 464 391 768)
Net cash flows from operating activities	37	**400 026 336**	**527 784 485**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(463 625 607)	(481 296 036)
Proceeds from sale of property, plant and equipment	9	-	676 719
Purchase of investment property	8	(113 500)	-
Purchase of other intangible assets	10	(35 508 954)	(26 612 939)
Non-current receivables		32 736	36 353
Proceed from sale of land		680 000	6 958 044
Net cash flows from investing activities		**(498 535 325)**	**(500 237 859)**
Cash flows from financing activities			
Proceeds from financial liabilities		-	385 500 000
Repayment of long-term liabilities		(156 184 530)	(160 337 174)
Net cash flows from financing activities		**(156 184 530)**	**225 162 826**
Net increase/(decrease) in cash and cash equivalents		**(254 693 519)**	**252 709 452**
Cash and cash equivalents at the beginning of the year		715 115 759	462 406 308
Cash and cash equivalents at the end of the year	7	**460 422 240**	**715 115 760**

* See Note 41

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 012 880 000	(135 554 700)	**1 877 325 300**	1 823 519 981	**(53 805 319)**	**97.13 %**
Rental of facilities and equipment	8 008 100	-	**8 008 100**	8 722 479	**714 379**	**108.92 %**
Interest earned - outstanding debtors	52 800	-	**52 800**	102 819	**50 019**	**194.73 %**
Agency services	7 390 000	-	**7 390 000**	6 356 294	**(1 033 706)**	**86.01 %**
Licences and permits	3 609 000	-	**3 609 000**	3 876 502	**267 502**	**107.41 %**
Reduction in post-employment benefits	-	-	**-**	112 452 737	**112 452 737**	**- %**
Operational income	34 763 800	50 942 000	**85 705 800**	57 711 624	**(27 994 176)**	**67.34 %**
Interest received - investment	41 942 300	10 059 100	**52 001 400**	76 055 871	**24 054 471**	**146.26 %**
Total revenue from exchange transactions	**2 108 646 000**	**(74 553 600)**	**2 034 092 400**	**2 088 798 307**	**54 705 907**	**103**
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	452 872 400	(7 283 200)	**445 589 200**	442 660 780	**(2 928 420)**	**99.34 %**
Property rates - penalties imposed	-	-	**-**	2 013 216	**2 013 216**	**- %**
Surcharges and Taxes	-	-	**-**	4 492 333	**4 492 333**	**- %**
Transfer revenue						
Government grants & subsidies	473 664 000	6 785 000	**480 449 000**	463 327 708	**(17 121 292)**	**96.44 %**
Public contributions and donations	-	-	**-**	3 972 232	**3 972 232**	**- %**
Fines, Penalties and Forfeits	7 563 000	(800 000)	**6 763 000**	7 848 582	**1 085 582**	**116.05 %**
Total revenue from non-exchange transactions	**934 099 400**	**(1 298 200)**	**932 801 200**	**924 314 851**	**(8 486 349)**	**99%**
Total revenue	**3 042 745 400**	**(75 851 800)**	**2 966 893 600**	**3 013 113 158**	**46 219 558**	**101%**
Expenditure						
Remuneration of employees	(728 269 200)	12 201 800	**(716 067 400)**	(700 888 831)	**15 178 569**	**97.88 %**
Remuneration of councillors	(29 146 500)	(386 600)	**(29 533 100)**	(29 341 691)	**191 409**	**99.35 %**
Depreciation and amortisation	(376 848 000)	-	**(376 848 000)**	(348 560 825)	**28 287 175**	**92.49 %**
Finance costs	(73 401 100)	(237 700)	**(73 638 800)**	(67 690 845)	**5 947 955**	**91.92 %**
Debt Impairment	(26 387 500)	-	**(26 387 500)**	(27 153 878)	**(766 378)**	**102.90 %**
Collection costs	-	-	**-**	(2 142 943)	**(2 142 943)**	**- %**
Repairs and maintenance	(295 310 905)	91 582 300	**(203 728 605)**	-	**203 728 605**	**- %**
Bulk purchases	(1 074 886 000)	107 369 400	**(967 516 600)**	(962 387 727)	**5 128 873**	**99.47 %**
Contracted Services	(151 897 000)	(78 059 500)	**(229 956 500)**	(276 965 478)	**(47 008 978)**	**120.44 %**
Transfers and Subsidies	(11 728 800)	(432 400)	**(12 161 200)**	(11 517 223)	**643 977**	**94.70 %**
Operating expenses	(249 774 900)	(127 544 000)	**(377 318 900)**	(295 413 472)	**81 905 428**	**78.29 %**
Total expenditure	**(3 017 649 905)**	**4 493 300**	**(3 013 156 605)**	**(2 722 062 913)**	**291 093 692**	**99.64**
Operating surplus	**25 095 495**	**(71 358 500)**	**(46 263 005)**	**291 050 245**	**337 313 250**	

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Loss on disposal of assets and liabilities	-	-	-	(1 449 010)	**(1 449 010)**	**- %**
Gain on disposal of land	-	-	-	652 684	**652 684**	**- %**
	-	**-**	**-**	**(796 326)**	**(796 326)**	**-**
Surplus before taxation	**25 095 495**	**(71 358 500)**	**(46 263 005)**	**290 253 919**	**336 516 924**	**-**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**25 095 495**	**(71 358 500)**	**(46 263 005)**	**290 253 919**	**336 516 924**	**-**

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	76 582 661	-	**76 582 661**	72 791 919	**(3 790 742)**	**95.05 %**
Long-term receivables	44 003	-	**44 003**	45 848	**1 845**	**104.19 %**
Receivables from non-exchange transactions	-	-	**-**	97 606 357	**97 606 357**	**- %**
Receivables from exchange transactions	441 411 724	(4 956 745)	**436 454 979**	412 170 563	**(24 284 416)**	**94.44 %**
Cash and cash equivalents	527 935 737	(28 687 431)	**499 248 306**	460 422 240	**(38 826 066)**	**92.22 %**
	1 045 974 125	**(33 644 176)**	**1 012 329 949**	**1 043 036 927**	**30 706 978**	**109.00 %**
Non-Current Assets						
Investment property	125 047 322	-	**125 047 322**	123 372 704	**(1 674 618)**	**98.66 %**
Property, plant and equipment	5 217 753 283	59 445 100	**5 277 198 383**	5 406 836 319	**129 637 936**	**102.46 %**
Intangible assets	32 730 402	(10 195 400)	**22 535 002**	66 897 945	**44 362 943**	**296.86 %**
Heritage assets	2 766 994	-	**2 766 994**	2 766 994	**-**	**100.00 %**
Long-term receivables	116 562	-	**116 562**	-	**(116 562)**	**- %**
	5 378 414 563	**49 249 700**	**5 427 664 263**	**5 599 873 962**	**172 209 699**	**103.16 %**
Total Assets	**6 424 388 688**	**15 605 524**	**6 439 994 212**	**6 642 910 889**	**202 916 677**	**103.14 %**
Liabilities						
Current Liabilities						
Financial liabilities	159 364 629	-	**159 364 629**	145 258 677	**(14 105 952)**	**91.15 %**
Payables from exchange transactions	321 082 329	(513 731)	**320 568 598**	443 549 900	**122 981 302**	**138.36 %**
VAT payable	-	-	**-**	10 601 503	**10 601 503**	**- %**
Consumer deposits	46 591 017	-	**46 591 017**	82 040 339	**35 449 322**	**176.09 %**
Unspent conditional grants and receipts	57 837 476	-	**57 837 476**	15 676 399	**(42 161 077)**	**27.10 %**
Provisions	24 184 880	-	**24 184 880**	15 176 264	**(9 008 616)**	**62.75 %**
	609 060 331	**(513 731)**	**608 546 600**	**712 303 082**	**103 756 482**	**117.05 %**
Non-Current Liabilities						
Financial liabilities	477 671 272	-	**477 671 272**	394 165 665	**(83 505 607)**	**82.5 %**
Employee benefit obligation	315 342 973	-	**315 342 973**	220 079 000	**(95 263 973)**	**69.8 %**
	793 014 245	**-**	**793 014 245**	**614 244 665**	**(178 769 580.0)**	**77.5 %**
Total Liabilities	**1 402 074 576**	**(513 731)**	**1 401 560 845**	**1 326 547 747**	**(75 013 098)**	**94.65 %**
Net Assets	**5 022 314 112**	**16 119 255**	**5 038 433 367**	**5 316 363 142**	**277 929 775**	**105.52 %**
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Housing development fund	-	-	**-**	3 061 958	**3 061 958**	**- %**
Capital replacement reserve	360 476 917	(17 520 139)	**342 956 778**	-	**(342 956 778)**	**- %**
Accumulated surplus	4 661 837 195	33 639 394	**4 695 476 589**	5 313 301 184	**617 824 595**	**113.16 %**
Total Net Assets	**5 022 314 112**	**16 119 255**	**5 038 433 367**	**5 316 363 142**	**277 929 775**	**105.52 %**

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	434 757 504	(6 992 000)	**427 765 504**	442 660 780	**14 895 276**	**103.48 %**
Sale of goods and services	1 876 237 631	(130 574 000)	**1 745 663 631**	1 836 734 793	**91 071 162**	**105.22 %**
Grants	473 664 000	6 785 000	**480 449 000**	467 299 940	**(13 149 060)**	**97.26 %**
Interest income	41 995 100	13 280 000	**55 275 100**	75 835 072	**20 559 972**	**137.20 %**
Other receipts	61 333 900	46 921 000	**108 254 900**	77 806 218	**(30 448 682)**	**71.87 %**
	2 887 988 135	**(70 580 000)**	**2 817 408 135**	**2 900 336 803**	**82 928 668**	**102.94 %**
Payments						
Employee costs	(728 269 200)	12 201 800	**(716 067 400)**	(700 888 831)	**15 178 569**	**97.88 %**
Suppliers	(1 580 684 152)	25 878 200	**(1 554 805 952)**	(1 728 902 853)	**(174 096 901)**	**111.20 %**
Finance costs	(67 900 943)	(5 738 000)	**(73 638 943)**	(67 690 845)	**5 948 098**	**91.92 %**
	(2 376 854 295)	**32 342 000**	**(2 344 512 295)**	**(2 497 482 529)**	**(152 970 234)**	**106.52 %**
Net cash flows from operating activities	**511 133 840**	**(38 238 000)**	**472 895 840**	**402 854 274**	**(70 041 566)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	-	4 300 000	**4 300 000**	-	**(4 300 000)**	**- %**
Purchase of asset	(499 282 635)	(25 997 000)	**(525 279 635)**	(501 363 262)	**23 916 373**	**95.45 %**
Net cash flows from investing activities	**(499 282 635)**	**(21 697 000)**	**(520 979 635)**	**(501 363 262)**	**19 616 373**	**96.23 %**
Cash flows from financing activities						
Repayment of financial liabilities	(155 996 320)	-	**(155 996 320)**	(156 184 531)	**(188 211)**	100.12%
Movement in consumer deposits	-	7 219 000	**7 219 000**	-	**(7 219 000)**	
Net cash flows from financing activities	**(155 996 320)**	**7 219 000**	**(148 777 320)**	**(156 184 531)**	**(7 407 211)**	
Net increase/(decrease) in cash and cash equivalents	(144 145 115)	(52 716 000)	**(196 861 115)**	(254 693 519)	**(57 832 404)**	**129.38 %**
Cash and cash equivalents at the beginning of the year	719 789 221	-	**719 789 221**	715 115 759	**(4 673 462)**	**99.35 %**
Cash and cash equivalents at the end of the year	**575 644 106**	**(52 716 000)**	**522 928 106**	**460 422 240**	**(62 505 866)**	**88.05 %**

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 20

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage variance
	R	R	R	R	R	
Capital expenditure						
Community and Social Services	48 774 000	(3 222 600)	**45 551 400**	26 026 978	**(19 524 422)**	**57.14 %**
Corporate Services	100 180 000	26 345 000	**126 525 000**	128 119 456	**1 594 456**	**101.26 %**
Electricity	82 142 000	9 775 000	**91 917 000**	57 776 460	**(34 140 540)**	**62.86 %**
Executive and Council	119 000	-	**119 000**	19 800	**(99 200)**	**16.64 %**
Health	739 900	(739 900)	**-**	-	**-**	**- %**
Environmental protection	-	739 900	**739 900**	701 325	**(38 575)**	**94.79 %**
Planning and Development	4 797 000	8 760 800	**13 557 800**	19 312 685	**5 754 885**	**142.45 %**
Public Safety	275 000	6 367 000	**6 642 000**	6 925 687	**283 687**	**104.27 %**
Sport and Recreation	16 247 900	2 522 400	**18 770 300**	10 584 289	**(8 186 011)**	**56.39 %**
Waste Management	2 500 000	(8 000)	**2 492 000**	1 102 947	**(1 389 053)**	**44.26 %**
Waste Water Management	86 538 300	(8 048 700)	**78 489 600**	87 895 302	**9 405 702**	**111.98 %**
Water	88 132 500	(5 627 000)	**82 505 500**	84 872 894	**2 367 394**	**102.87 %**
Road Transport	90 809 500	12 385 800	**103 195 300**	77 183 138	**(26 012 162)**	**74.79 %**
Total expenditure	**521 255 100**	**49 249 700**	**570 504 800**	**500 520 961**	**(69 983 839)**	**87.73%**

Accounting Policies for the year ended 30 June 2018

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The following GRAP standards have been issued and effective but are not applicable to the municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinfationary economics
- GRAP 27 Agriculture

1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

Accounting Policies for the year ended 30 June 2018

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

Customer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 3.

1.5 Comparative figures

Prior year Comparative

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies for the year ended 30 June 2018

1.5 Comparative figures (continued)

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.6 Property, plant and equipment

Initially recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Accounting Policies for the year ended 30 June 2018

1.6 Property, plant and equipment (continued)

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of two years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2018 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 9).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30
Roads and paving	Straight line	15-65
Watercraft	Straight line	15

Accounting Policies for the year ended 30 June 2018

1.6 Property, plant and equipment (continued)

Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	3-7
Office equipment	Straight line	3-5
Pedestrian bridges	Straight line	30
Electricity infrastructure	Straight line	20-30
Community	Straight line	5-30
Water infrastructure	Straight line	15-65
Sewerage infrastructure	Straight line	15-30
Housing	Straight line	30
Specialised plant and equipment	Straight line	10-15
Bins and containers	Straight line	5-10
Other property, plant and equipment	Straight line	2-5
Specialised vehicles	Straight line	10

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies for the year ended 30 June 2018

1.8 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information
- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information
- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

Accounting Policies for the year ended 30 June 2018

1.9 Impairment of non-cash-generating assets (continued)

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.10 Intangible assets

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Subsequent measurement

Accounting Policies for the year ended 30 June 2018

1.10 Intangible assets (continued)

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 8).

Initial recognition

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement).Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Accounting Policies for the year ended 30 June 2018

1.11 Investment property (continued)

Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

1.12 Inventories

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Accounting Policies for the year ended 30 June 2018

1.13 Revenue from exchange transactions (continued)

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality,

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

Accounting Policies for the year ended 30 June 2018

1.17 Retirement benefits (continued)

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued once in two years by independent qualified actuaries.

1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in accordance with the revised GRAP 5.

1.19 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

Accounting Policies for the year ended 30 June 2018

1.19 Financial instruments (continued)

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Accounting Policies for the year ended 30 June 2018

1.21 Short term benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:
Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
Expect to be repaid in future; or
Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

1.23 Budget information

The budget is prepared on an accrual basis. The budget amounts are scheduled as a spate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

1.24 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Value-added Tax

VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.28 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

Accounting Policies for the year ended 30 June 2018

1.28 Transfer of functions between entities not under common control (continued)

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Accounting Policies for the year ended 30 June 2018

1.28 Transfer of functions between entities not under common control (continued)

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Accounting Policies for the year ended 30 June 2018

1.28 Transfer of functions between entities not under common control (continued)

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
2. Inventories		
Consumable stores	15 115 767	17 665 685
Water	1 621 152	1 047 216
Land	56 055 000	56 055 000
	72 791 919	**74 767 901**
3. Long-term receivables		
At amortised cost		
Study loans	45 848	78 584
Non-current assets		
At amortised cost	-	48 103
Current assets		
At amortised cost	45 848	30 481
4. Receivables from non-exchange transactions		
Fines	29 121 218	21 422 690
Rates	62 126 128	49 844 273
Amounts paid in advance	7 983 950	7 683 457
Other receivables from non-exchange revenue	40 792 808	92 510 627
Impairment - Rates	(21 637 738)	(24 200 000)
Impairment - Fines	(20 780 009)	(20 780 009)
	97 606 357	**126 481 038**
Rates		
31-60 Days	31 636 337	26 063 589
61-90 Days	3 683 885	2 617 536
91-120 Days	1 807 306	1 699 628
121-360 Days	1 642 059	1 417 644
361+ Days	12 017 053	12 098 783
	11 339 488	5 947 094
	62 126 128	**49 844 274**
Fines		
31-60 Days	628 400	636 125
61-90 Days	568 625	694 550
91-120 Days	583 375	1 151 800
121-360 Days	560 950	845 350
361+ Days	5 357 178	8 745 275
	21 422 690	9 349 590
	29 121 218	**21 422 690**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
4. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening Balance	(44 980 003)	(35 584 793)
Contribution	(9 057 997)	(10 303 308)
Write Off	10 921 047	908 098
	(43 116 953)	**(44 980 003)**
5. VAT receivable		
VAT	-	34 246 293
Reconciliation of Vat		
Output Suspense	-	18 438 187
Input suspense	-	(40 959 245)
Vat Control	-	(11 725 235)
	-	**(34 246 293)**
6. Receivables from exchange transactions		
Gross balances		
Electricity	169 964 930	189 567 215
Water	227 295 801	149 028 470
Sewerage	17 472 821	14 238 027
Refuse	11 426 612	9 352 459
Sundry debtors	34 739 414	30 377 920
Housing rental	10 870 985	10 217 116
	471 770 563	**402 781 207**
Less: Allowance for impairment		
Electricity	(15 700 000)	(17 000 000)
Water	(38 200 000)	(29 000 000)
Sewerage	(3 400 000)	(3 400 000)
Refuse	(2 300 000)	(2 400 000)
	(59 600 000)	**(51 800 000)**
Net balance		
Electricity	154 264 930	172 567 215
Water	189 095 801	120 028 470
Sewerage	14 072 821	10 838 027
Refuse	9 126 612	6 952 459
Sundry debtors	34 739 414	30 377 920
Housing rental	10 870 985	10 217 116
	412 170 563	**350 981 207**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	149 767 527	176 552 178
31 - 60 days	10 135 290	2 123 833
61 - 90 days	1 267 538	1 266 513
91 - 120 days	877 511	1 304 794
121 - 365 days	5 346 369	3 005 318
> 365 days	2 570 695	5 314 579
	169 964 930	**189 567 215**
Water		
Current (0 -30 days)	75 955 486	68 543 840
31 - 60 days	16 709 829	6 304 431
61 - 90 days	14 866 334	4 024 002
91 - 120 days	17 562 029	3 722 974
121 - 365 days	30 139 398	23 966 605
> 365 days	72 062 725	42 466 618
	227 295 801	**149 028 470**
Sewerage		
Current (0 -30 days)	8 354 003	7 886 885
31 - 60 days	1 360 598	888 996
61 - 90 days	607 487	649 926
91 - 120 days	539 088	511 550
121 - 365 days	3 280 608	1 806 044
> 365 days	3 331 037	2 494 626
	17 472 821	**14 238 027**
Refuse		
Current (0 -30 days)	6 028 225	5 391 214
31 - 60 days	740 400	644 511
61 - 90 days	437 382	443 504
91 - 120 days	372 173	372 616
121 - 365 days	2 089 599	1 410 234
> 365 days	1 758 833	1 090 380
	11 426 612	**9 352 459**
Other/ sundry debtors		
Current (0 -30 days)	222 865	(753 483)
31 - 60 days	(1 753 650)	1 136 102
61 - 90 days	966 839	1 134 137
91 - 120 days	1 368 084	495 654
121 - 365 days	3 007 884	9 276 550
> 365 days	30 927 392	19 088 960
	34 739 414	**30 377 920**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
6. Receivables from exchange transactions (continued)		
Housing rental		
Current (0 -30 days)	1 077 485	673 140
31 - 60 days	162 602	402 059
61 - 90 days	159 890	357 254
91 - 120 days	165 703	338 959
121 - 365 days	2 043 715	2 810 503
> 365 days	7 261 590	5 635 201
	10 870 985	**10 217 116**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	185 546 787	91 962 776
31 - 60 days	13 857 818	5 237 959
61 - 90 days	16 589 002	5 097 725
91 - 120 days	1 611 351	4 832 726
121 - 365 days	11 939 768	28 497 645
> 365 days	39 300 439	47 790 832
	268 845 165	183 419 663
Less: Allowance for impairment	(31 322 464)	(24 240 367)
	237 522 701	**159 179 296**
Industrial/ commercial		
Current (0 -30 days)	38 929 257	136 981 904
31 - 60 days	5 719 747	3 769 498
61 - 90 days	5 120 206	2 709 100
91 - 120 days	5 309 131	2 013 466
121 - 365 days	32 872 902	14 708 213
> 365 days	82 568 872	33 312 486
	170 520 115	193 494 667
Less: Allowance for impairment	(22 580 202)	(23 050 521)
	147 939 913	**170 444 146**
National and provincial government		
Current (0 -30 days)	14 004 756	17 241 407
31 - 60 days	535 211	567 507
61 - 90 days	817 439	357 364
91 - 120 days	571 985	472 856
121 - 365 days	5 619 490	3 849 132
> 365 days	10 856 402	3 378 611
	32 405 283	25 866 877
Less: Allowance for impairment	(5 697 334)	(4 509 112)
	26 707 949	**21 357 765**
Total		
Current (0 -30 days)	241 405 592	246 186 088
31 - 60 days	27 355 069	9 574 964
61 - 90 days	18 305 470	8 164 189
91 - 120 days	20 884 589	7 319 047
121 - 365 days	45 907 572	47 054 990
> 365 days	117 912 271	84 481 929
	471 770 563	402 781 207
Less: Allowance for impairment	(59 600 000)	(51 800 000)
	412 170 563	**350 981 207**
Less: Allowance for impairment		
> 365 days	(59 600 000)	(51 800 000)

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(51 800 000)	(55 715 207)
Contributions to allowance	(18 596 427)	(2 182 394)
Debt impairment written off against allowance	10 796 427	6 097 601
	(59 600 000)	**(51 800 000)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	48 848	43 848
Cash book balances	45 373 392	70 071 911
Short-term deposits	415 000 000	645 000 000
	460 422 240	**715 115 759**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Absa Bank - Cheque - 2150000028	4 087 070	1 019 453	11 629 814	27 761 982
Absa Bank - Deposit - 2150000095	15 240 235	6 330 052	16 567 644	8 614 204
Absa Bank - Deposit - 9123615121	420 363	396 459	420 363	398 316
Absa Bank - Cheque - 9171373496	2 618 476	2 497 104	2 647 594	2 508 802
Absa Bank - Deposit - 9092247889	5 977 996	5 668 248	5 989 919	5 680 640
Absa Bank - Deposit - 9171373917	5 041 209	21 688 305	5 041 209	21 782 418
Absa Bank - Deposit - 9233674990	3 934	3 906	4 130	3 919
Absa Bank - Deposit - 9272068005	1 497 399	1 369 986	1 498 455	1 371 044
Absa Bank - Deposit - 4079286548	8 737	36 154	3 710	3 710
Absa Bank - Deposit - 9283221999	1 854 861	2 675 057	1 569 282	1 945 665
Absa Bank - Deposit - 9082916767	1 088	1 205	1 272	1 211
Total	**36 751 368**	**41 685 929**	**45 373 392**	**70 071 911**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	133 548 798	(10 176 094)	123 372 704	133 435 298	(9 430 308)	124 004 990

Reconciliation of investment property - 2018

	Opening balance	Additions	Depreciation	Total
Investment property	124 004 990	113 500	(745 786)	123 372 704

Reconciliation of investment property - 2017

	Opening balance	Prior year error	Depreciation	Total
Investment property	125 125 248	(374 472)	(745 786)	124 004 990

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	525 025 950	-	525 025 950	525 026 950	-	525 026 950
Infrastructure	11 043 848 944	(7 075 947 812)	3 967 901 132	10 721 257 010	(6 804 537 239)	3 916 719 771
Community	491 791 284	(159 631 537)	332 159 747	447 662 354	(141 515 148)	306 147 206
Other property, plant and equipment	811 434 595	(401 422 546)	410 012 049	712 785 325	(345 721 193)	367 064 132
Housing	187 533 704	(15 796 263)	171 737 441	187 533 704	(13 624 163)	173 909 541
Total	**13 059 634 477**	**(7 652 798 158)**	**5 406 836 319**	**12 594 265 343**	**(7 305 397 743)**	**5 288 867 600**

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Work in progress	Disposals	Transfers	Depreciation	Total
Land	525 026 950	-	-	-	(1 000)	-	525 025 950
Infrastructure	3 916 719 771	60 578 120	258 231 316	-	-	(267 628 075)	3 967 901 132
Community	306 147 206	31 922 735	12 206 196	-	-	(18 116 390)	332 159 747
Other property, plant and equipment	367 064 132	82 041 831	19 918 310	(1 449 011)	-	(57 563 213)	410 012 049
Housing	173 909 541	-	-	-	-	(2 172 100)	171 737 441
	5 288 867 600	**174 542 686**	**290 355 822**	**(1 449 011)**	**(1 000)**	**(345 479 778)**	**5 406 836 319**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work in progress	Disposals	Transfers received	Additions through transfer of function / mergers	Restatements	Depreciation	Total
Land	525 026 950	-	-	-	-	-	-	-	525 026 950
Infrastructure	3 760 310 753	162 011 867	223 427 352	-	5 624 601	-	37 891 078	(272 545 880)	3 916 719 771
Community	257 667 702	20 954 979	10 838 275	-	-	26 887 652	6 142 245	(16 343 647)	306 147 206
Other property, plant and equipment	350 619 824	45 892 069	8 595 939	(1 972 561)	-	6 837 705	15 518 097	(58 426 941)	367 064 132
Housing development fund	167 522 482	9 575 555	-	-	-	-	(1 292 673)	(1 895 823)	173 909 541
	5 061 147 711	**238 434 470**	**242 861 566**	**(1 972 561)**	**5 624 601**	**33 725 357**	**58 258 747**	**(349 212 291)**	**5 288 867 600**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	571 457 511	21 737 260	10 569 359	603 764 130
Completed Projects	(47 737 020)	(16 783 936)	(7 771 997)	(72 292 953)
Current year WIP	258 231 316	12 206 196	19 918 311	290 355 823
	781 951 807	**17 159 520**	**22 715 673**	**821 827 000**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	407 291 270	7 350 543	2 116 961	416 758 774
Restatement	(7 827 473)	4 887 652	(57 741)	(2 997 562)
Completed Projects	(51 433 643)	(1 339 210)	(85 800)	(52 858 653)
Current year - WIP	223 427 357	10 838 275	8 595 939	242 861 571
	571 457 511	**21 737 260**	**10 569 359**	**603 764 130**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs (Internal charge)	200 795 103	185 899 027
Contracted services	134 906 406	105 302 790
Materials	73 139 406	65 975 945
Transport (Internal charge)	8 291 926	22 644 186
	417 132 841	**379 821 948**

Internal charges are not reflected under repairs and maintenance in the Statement of financial performance.

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, as disclosed in note 51, certain property, plant and equipment with a carrying value of R33 725 357.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	78 986 434	(12 088 489)	66 897 945	43 477 481	(9 753 228)	33 724 253

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

10. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	33 724 253	35 508 954	(2 335 262)	66 897 945

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Reversal of prior year depreciation	Other changes, movements	Amortisation	Total
Computer software, other	7 131 967	26 612 939	2 313 314	97 488	(2 431 455)	33 724 253

11. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	245 913	-	245 913	245 913	-	245 913
Historical buildings	2 521 081	-	2 521 081	2 521 081	-	2 521 081
Total	**2 766 994**	**-**	**2 766 994**	**2 766 994**	**-**	**2 766 994**

Reconciliation of heritage assets 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	245 913	245 913
Historical buildings	2 521 081	2 521 081
	2 766 994	**2 766 994**

Reconciliation of heritage assets 2017

	Opening balance	Transfers	Total
Art Collections, antiquities and exhibits	245 913	-	245 913
Historical monuments	278 401	(278 401)	-
Historical buildings	2 242 680	278 401	2 521 081
	2 766 994	**-**	**2 766 994**

12. Financial liabilities

At amortised cost		
DBSA	40 305 272	97 609 915
Nedbank	143 309 348	185 969 135
Rand merchant bank	1 212 227	-
Standard bank	323 205 121	348 437 779
INCA	31 392 374	63 592 043
	539 424 342	**695 608 872**
Total other financial liabilities	**539 424 342**	**695 608 872**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
12. Financial liabilities (continued)		
Non-current liabilities		
At amortised cost	394 165 665	539 612 552
Current liabilities		
At amortised cost	145 258 677	155 996 320

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
13. Payables from exchange transactions		
Trade payables	331 360 149	433 411 416
Amounts received in advance	30 211 778	29 569 191
Retentions	46 355 780	45 141 290
Other payables	23 839 802	85 585 804
Accrued leave pay	11 782 392	10 634 557
	443 549 901	**604 342 258**
14. Consumer deposits		
Electricity and Water	78 421 840	64 336 315
Other deposits	3 618 492	3 610 492
	82 040 332	**67 946 807**
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Provincial Housing Grant	2 167 379	2 784 831
Infrastructure Skills Development Grant	-	1 654 232
Restructuring Grant	-	9 385
Provincial Local Government Grants	5 062 274	5 408 820
Provincial Libraries Grant	837 605	685 793
Integrated Electrification Program	2 650 169	-
uThungulu District	39 372	52 992
Energy efficieny and demand side manangement grant	4 919 600	-
	15 676 399	**10 596 053**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Pro rata Bonus	13 899 657	1 276 607	15 176 264

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Pro rata Bonus	12 998 173	901 484	13 899 657

Pro rata Bonus

The bonus accrues to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(332 531 737)	(341 274 601)
Current service cost	(18 623 617)	(20 991 753)
Interest cost	(32 265 172)	(31 089 339)
Actuarial gain	157 558 526	56 766 363
Benefits paid	5 783 000	4 057 593
	(220 079 000)	**(332 531 737)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	323 788 873	332 531 737
Net amount recognised in the statement of financial performance	(112 452 737)	(8 742 864)
	211 336 136	**323 788 873**

Net amount recognised in the statement of financial performance

Current service cost	18 623 617	20 991 753
Interest cost	32 265 172	31 089 339
Actuarial (gains) losses	(157 558 526)	(56 766 363)
Settlement	(5 783 000)	(4 057 593)
	(112 452 737)	**(8 742 864)**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

17. Employee benefit obligations (continued)

Key assumptions used

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ZAQ Consultants and Actuaries, carried out a statutory valuation for the year ended 30 June 2018 with projected liabilities for year ending 2019 and 2020. There a no planned assets. Assumptions used at the reporting date:

Discount rates used	Yield curve	9.78 %
Expected increase in salaries	Yield curve	5.78 %
Expected pension increases	Yield curve	3.79 %
Proportion of employees opting for early retirement		80.00 %
Expected increase in healthcare costs	CPI + 1	8.20 %
Future changes in maximum state healthcare benefits		90.00 %

18. Housing development fund

The Housing development fund is represented by the following assets:

Opening Balance	3 061 960	2 749 778
Bank and Cash	3 061 960	3 061 960
Accumulated Surplus	(3 061 960)	(2 749 778)
	3 061 960	**3 061 960**

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Capital replacement reserve	Accumulated surplus	Total
Opening balance	311 297 656	4 711 749 611	5 023 047 267
Transfer to Accumulated Surplus	(120 973 400)	120 973 400	-
Surplus for the year	-	290 253 919	290 253 919
	190 324 256	**5 122 976 930**	**5 313 301 186**

20. Service charges

Sale of electricity	1 281 889 919	1 506 657 693
Sale of water	373 831 155	336 492 585
Sewerage and sanitation charges	70 033 876	81 746 919
Refuse removal	97 765 031	73 580 195
	1 823 519 981	**1 998 477 392**

An amount of R10 595 197.12 (2017: R10 418 194.54) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
21. Operational Revenue		
Building plans	874 442	1 284 354
Extension fees	12 370 172	18 698 542
Connection fees	10 513 223	8 354 955
Skills levy fees	472 795	1 456 441
Insurance claims refund	86 171	7 571 590
Sundries	23 488 092	28 396 789
Advertisement	2 564 618	2 609 645
Transaction handling fees	2 145 041	530 009
Discount received	3 375 110	902
Inventory gains	1 752 690	-
Meter Replacement	69 270	30 212
Fines and penalties	-	2 600
	57 711 624	**68 936 039**
22. Interest received - investment		
Interest revenue		
Bank	76 055 871	60 875 363

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
23. Property rates		
Rates received		
Residential	164 874 263	151 618 223
Commercial	109 155 177	101 239 514
State	31 927 261	26 479 114
Vacant land	45 841 174	33 016 363
Public benefit organisations	203 038	116 110
Agriculture	1 912 838	1 608 729
Industrial	140 584 983	128 464 936
Mining	751 188	682 898
Public service infrastructure	77 897	158 555
Less: Income forgone	(52 667 039)	(45 690 719)
	442 660 780	397 693 723
Property rates - penalties imposed	2 013 216	3 211 971
	444 673 996	**400 905 694**
Valuations		
Residential	18 340 258 410	18 256 894 010
Commercial	5 633 152 692	5 785 938 000
State	3 215 746 600	2 858 829 000
Vacant land	2 507 864 252	2 589 763 000
Public benefit organisations	73 500 000	48 601 000
Agriculture	729 528 308	723 633 000
Industrial	7 077 372 000	7 072 976 000
Mining	35 942 000	71 334 000
Public service infrastructure	128 382 150	182 818 150
Multiple use	504 055 000	511 065 000
	38 245 801 412	**38 101 851 160**

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

Category of property	**Rates Randage**	**Ratio to Residential Tariff**
Residential	0.0097	1
Business/Commercial	0.0204	2.10
Industrial	0.0213	2.20
Agricultural	0.0024	00.25
Public Service Purpose (State owned)	0.0170	1.1
Public Service Infrastructure	0.0021	0.25
PBO's	0.0024	0.250
Mining	0.0223	2.30
Vacant Land	0.0194	2

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018	2017
	R	R

23. Property rates (continued)

Pensioners - R15 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R40 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

24. Transfers and subsidies

Operating grants		
Equitable Share	292 009 000	251 497 164
Municipal Demarcation Grant	6 209 000	6 314 000
Financial Management Grant	2 342 985	2 440 166
Expanded Public Works Program	4 143 000	5 061 000
Infrastructure Skills development Grant	5 533 232	3 878 500
uMhlathuze urban development framework	19 610	-
Provincial Housing Grant	1 748 446	1 526 798
Provincial Libraries Grant	9 416 189	8 773 913
uThungulu District Municipality/King Cetshwayo District Municipality	-	160 628
Other Government Grants	2 990	21 304
King Cetshwayo Refuse Grant	-	318 040
	321 424 452	**279 991 513**
Capital grants		
Municipal Infrastructure Grant	95 678 607	88 045 120
Integrated National Electrification Program	7 349 831	-
Water Services Infrastructure Grant	34 000 000	40 736 000
Provincial Housing Grant	353 427	9 234 668
Provincial Local Government Grant	4 133 976	1 130 300
Financial Management Grant	307 015	96 834
King Cetshwayo Grant	-	5 624 601
Energy Efficiency and Demand Side Management Grant	80 400	-
	141 903 256	**144 867 523**
	463 327 708	**424 859 036**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilse institutional and governance systems as required in the Municipal systems act and related legislation.

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	9 344 019
Current-year receipts	34 000 000	40 736 000
Grant withheld	-	(9 344 019)
Conditions met - transferred to revenue	(34 000 000)	(40 736 000)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

Municipal Infrastructure Grant

Current-year receipts	108 742 000	99 817 000
Conditions met - transferred to revenue	(95 678 607)	(88 045 120)
Other	(13 063 393)	(11 771 880)

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
24. Transfers and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement arrears. No funds have been withheld.

Provincial Housing Grant

Balance unspent at beginning of year	2 784 831	12 000 081
Current-year receipts	1 316 040	903 640
Conditions met - transferred to revenue	(2 101 872)	(10 761 467)
Interest Received	168 380	642 577
Conditions still to be met - remain liabilities (see note 15)	**2 167 379**	**2 784 831**

Provincial Housing Grant was allocated to assist in the refurbishment of various hostels. The grant are spent in accordance with a business plan approved by the Provincial government. Fund were provided for the housing operating account. Funds were also provided for the Municipality to implement the enhanced extended discount benefit scheme. No funds were withheld. An amount of R 5 598 678 was transferred to the Brackenham Housing reserve (Municipal housing operating account) in terms of an agreement between Council and the Department of Human Settlement . A tri-party agreement between Waterstone country estate, the City of Umhlathuze and the Department of Human Settlement was signed to procure the property for affordable housing development.

Infrastructure skills development grant

Balance unspent at beginning of year	1 654 232	(967 268)
Current-year receipts	6 500 000	6 500 000
Grant Withheld	(2 621 000)	-
Conditions met - transferred to revenue	(5 533 232)	(3 878 500)
Conditions still to be met - remain liabilities (see note 15)	**-**	**1 654 232**

National Conditional Grant are allocated in terms of the Division of Revenue Act. The infrastructure and skills development grant is used to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities and to sustain infrastructure related management capacity in local government.

Finance Management Grant

Current-year receipts	2 650 000	2 537 000
Conditions met - transferred to revenue	(2 650 000)	(2 537 000)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

National Conditional Grant are allocated in terms of the Division of Revenue Act. The financial management grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

24. Transfers and subsidies (continued)

Restructuring Grant

Balance unspent at beginning of year	9 385	9 385
Conditions met - transferred to revenue	(9 385)	-
Conditions still to be met - remain liabilities (see note 15)	**-**	**9 385**

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring grant received in 2002, 2003 and 2004 from National treasury has been earmarked for certain projects that will improve the local economy.

Provincial Local Government Grant

Balance unspent at beginning of year	5 408 820	5 560 424
Current-year receipts	3 870 025	-
Conditions met - transferred to revenue	(4 216 571)	(1 151 604)
Other	-	1 000 000
Conditions still to be met - remain liabilities (see note 15)	**5 062 274**	**5 408 820**

Provincial local government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial government.

Provincial Libraries

Balance unspent at beginning of year	685 793	346 706
Current-year receipts	9 385 000	8 938 000
Conditions met - transferred to revenue	(9 233 188)	(8 598 913)
Conditions still to be met - remain liabilities (see note 15)	**837 605**	**685 793**

Provincial library grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni library study hall. Funds were also provided to refurbish the old community hall at Felixton into a library Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial government. No funds have been withheld.

Water Services Operating Subsidy Grant

Balance unspent at beginning of year	-	1 049 215
Conditions met - transferred to revenue	-	(1 049 215)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

Department of water affairs refurbishment grant and subsidy for water services works. The grant is spent in accordance with an approved business plan.

Expanded public works program

Balance unspent at beginning of year	-	5 773
Current-year receipts	4 143 000	5 061 000
Conditions met - transferred to revenue	(4 143 000)	(5 061 000)
Other	-	(5 773)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

24. Transfers and subsidies (continued)

National Conditional Grant are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP guidelines.

Integrated National Electrification Programme

Balance unspent at beginning of year	-	349 157
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(7 349 831)	(349 157)
Conditions still to be met - remain liabilities (see note 15)	**2 650 169**	**-**

Department of Minerals and Energy provided a grant in support of electrification projects. The grants are spent in accordance with an approved business plan.

uThungulu District Municipality/ King Cetshwayo District Municipality

Balance unspent at beginning of year	52 992	213 620
Current-year receipts	100 000	-
Conditions met - transferred to revenue	(113 620)	-
Other	-	(160 628)
Conditions still to be met - remain liabilities (see note 15)	**39 372**	**52 992**

uThungulu district allocated funds for the capacity building grant, for the beach protection project at Alkantstrand beach Richards Bay and also provided a subsidy to assist in the daily running of the Empangeni museum. No funds have been withheld.

Municipal Demarcation Grant

Current-year receipts	6 209 000	6 314 000
Conditions met - transferred to revenue	(6 209 000)	(6 314 000)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

King Cetshwayo Refuse Grant

Current-year receipts	-	31 040
Conditions met - transferred to revenue	-	(31 040)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

Refuse services grant received from the district municipality in the former Ntambanana municipality area. No funds were withheld.

King Cetshwayo Grant

Current-year receipts	-	5 624 601
Conditions met - transferred to revenue	-	(5 624 601)
Conditions still to be met - remain liabilities (see note 15)	**-**	**-**

The King Cetshwayo district municipality donated assets that were utilised in providing water services at the Ntambanana area.

Energy effeciency and demand side management grant

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
24. Transfers and subsidies (continued)		
Conditions met - transferred to revenue	5 000 000	-
Other	(80 400)	-
	4 919 600	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

25. Public contributions and donations		
Lotto Funding	2 434 332	1 512 234
Other Public contributions and donations	1 537 900	1 031 079
	3 972 232	**2 543 313**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

26. Employee related costs

Basic	420 996 083	384 809 210
Bonus	34 635 088	31 742 178
Medical aid - company contributions	36 322 229	33 777 543
UIF	3 667 110	3 454 141
Leave pay provision charge	16 232 038	14 954 325
Defined contribution plans	5 720 621	5 291 256
Travel, motor car, accommodation, subsistence and other allowances	44 064 027	40 972 192
Overtime payments	51 664 777	48 927 328
Housing benefits and allowances	4 316 393	4 414 021
Cellphone allowances	3 600 141	2 872 534
Contributions to pensions and group life	79 506 991	72 670 106
Protective Clothing	163 333	140 000
	700 888 831	**644 024 834**

2018 : Remuneration to senior managers & managers	Municipal Manager	COO	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services
Annual Remuneration	1 290 531	1 461 515	757 794	391 791
Annual Bonus	107 544	-	-	-
Performance Bonus	218 417	158 574	-	-
Contribution to UIF, Medical & Pension Fund	304 498	78 730	207 493	117 769
Travel Allowance	240 000	156 202	164 086	32 000
	2 160 990	**1 855 021**	**1 129 373**	**541 560**

2017 : Remuneration to senior managers & managers	Municipal Manager	COO	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services
Annual Remuneration	1 220 251	1 382 228	114 681	-
Annual Bonus	101 688	-	-	-
Performance Bonus	145 611	126 859	-	-
Contribution to UIF, Medical & Pension Fund	346 087	76 089	23 513	-
Travel Allowance	240 000	157 057	-	-
	2 053 637	**1 742 233**	**138 194**	**-**

2018 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 315 277	904 284	1 348 084	1 396 033	680 527
Annual Bonus	104 174	-	107 258	-	56 711
Performance Bonus	142 716	-	158 574	158 574	-
Contribution to UIF, Medical & Pension Fund	114 838	49 720	31 422	99 401	259 554
Travel Allowance	156 724	176 383	204 300	201 012	285 744
	1 833 729	**1 130 387**	**1 849 638**	**1 855 020**	**1 282 536**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

26. Employee related costs (continued)

2017 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 244 163	443 063	1 274 896	1 319 175	633 874
Annual Bonus	103 680	64 456	106 241	-	52 823
Performance Bonus	72 680	95 144	174 431	79 287	-
Travel Allowance	159 072	40 000	204 600	202 351	267 416
Contribution to UIF, Medical & Pension Fund	108 459	87 159	29 637	93 848	187 878
Housing Subsidy	-	-	-	-	8 904
	1 688 054	**729 822**	**1 789 805**	**1 694 661**	**1 150 895**

2018 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Transport Roads	Head: Water and Sanitation	Head: Human Resources
Annual Remuneration	680 527	680 527	909 318	680 527	680 527
Annual Bonus	56 711	56 711	-	56 711	56 711
Housing Subsidy	9 559	-	-	-	-
Travel Allowance	285 744	285 744	320 754	285 744	285 744
Contribution to UIF, Medical & Pension Fund	280 455	199 168	276 323	210 565	218 650
	1 312 996	**1 222 150**	**1 506 395**	**1 233 547**	**1 241 632**

2017 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue	Head: Transport Roads	Head: Water and Sanitation	Head: Human Resources
Annual Remuneration	633 874	633 874	846 980	633 874	633 874
Annual Bonus	52 823	52 823	-	52 823	52 823
Housing Subsidy	8 904	-	-	-	-
Travel Allowance	267 416	267 416	298 756	267 416	267 415
Contribution to UIF, Medical & Pension Fund	268 986	179 553	277 909	194 337	177 732
	1 232 003	**1 133 666**	**1 423 645**	**1 148 450**	**1 131 844**

2018 : Remuneration to senior managers & managers	Head: Health & Safety	Head: Electrical Services	Head: Public Safety	Head: Park, Sport & Recreation	Head: SCM
Annual Remuneration	405 761	493 685	-	57 295	293 776
Annual Bonus	-	42 416	-	-	-
Housing Subsidy	-	-	-	-	3 186
Travel Allowance	167 017	191 100	-	73 636	120 480
Contribution to UIF, Medical & Pension Fund	125 909	255 203	-	-	131 727
	698 687	**982 404**	**-**	**130 931**	**549 169**

2017 : Remuneration to senior managers & managers	Head: Health & Safety	Head: Electrical Services	Head: Public Safety	Head: Park, Sport & Recreation	Head: SCM
Annual Remuneration	392 099	633 874	36 306	422 583	63 863
Annual Bonus	57 309	-	-	56 875	-
Travel Allowance	163 842	267 415	13 134	185 921	23 203
Contribution to UIF, Medical & Pension Fund	323 946	235 092	-	311 019	-

Notes to the Annual Financial Statements for the year ended 30 June 2018

				2018 R	2017 R
26. Employee related costs (continued)					
937 196	**1 136 381**	**49 440**		**976 398**	**87 066**

27. Remuneration of councillors

Mayor	816 875	758 270
Deputy Mayor	683 120	626 184
Mayoral Committee Members	5 304 867	4 405 387
Speaker	543 506	622 354
Councillors	19 252 186	16 526 594
Councillors' pension contribution	2 741 137	2 603 584
	29 341 691	**25 542 373**

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. They are provided with an office and secretarial support at the cost of Council.

The Mayor, Speaker and the Deputy Mayor and Chief Whip each have the use of separate Council owned vehicles for official duties.

28. Depreciation and amortisation

Property, plant and equipment	345 479 777	349 212 177
Investment property	745 786	745 786
Intangible assets	2 335 262	2 431 455
	348 560 825	**352 389 418**

29. Finance costs

Non-current borrowings	67 690 845	68 940 376

30. Debt impairment

Debt impairment	27 153 878	8 891 010

31. Bulk purchases

Electricity	840 992 491	1 087 028 181
Water	121 395 236	114 314 760
	962 387 727	**1 201 342 941**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
32. Contracted services		
Outsourced Services		
Other Contractors	30 183 313	16 190 235
Cleaning Services	3 582 269	2 805 071
Meter Management	6 324 923	4 892 990
Security Services	55 535 426	47 802 560
Sewerage Services	57 975 440	93 738 946
Maintenance Contracters	123 364 107	96 446 796
Contractors		
	276 965 478	**261 876 598**
33. Transfers and subsidies		
Other subsidies		
Subsidies	11 517 223	9 319 378

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
33. Transfers and subsidies (continued)		
Municipal Grants and Subsidies Paid		
Richards Bay Country Club	-	73 197
16 Days of Activism	205 425	52 500
SATMA Awards	-	1 500 000
SPCA	398 800	-
Hippo Rally	50 000	60 000
Death of a Public member	33 783	-
Sundries	396 085	1 078 464
Bursaries Employees children	631 698	570 834
Dolos Festival	200 000	-
Reed Dance	351 144	-
Womens Summit	95 367	16 271
Senior Citizens	401 177	15 750
Operation Sukuma Sakhe Projects	201 473	19 950
Community Mayor Outreach	342 041	48 184
University Registrations	336 000	616 000
Thanda Royal Zule	-	2 500 000
Last Dance Festival	1 000 000	1 000 000
Youth Summit	-	108 947
Disasater Management	527 741	726 251
Diwali Festival	50 000	-
Music Festival	200 000	-
Soccer Madness Tournment	450 000	-
Richards Bay Football Club	2 500 000	-
Freedom day and Human Rights day	118 216	-
Civic Funeral - Cllr Mthenjana	842 349	-
Mayoral School Uniform Campaign	150 531	-
uMhlathuze Tourism Organisation	150 000	-
Tournament	50 000	-
Phakama Music Festival	150 000	-
God's Power Trading	50 000	-
State of the City Entertainment	75 000	-
Zwide 247 Events and Entertainment	250 000	-
ProfiProfiling People with Disability/ Disability Sector	132 540	51 130
Amenisto Christmas Jam	-	67 000
Keep girls in School	-	22 800
uMhlathuze Local Football Association	-	179 000
Empangeni Rugby Club	-	50 000
Cluster Elimination Games	-	83 100
Netball Athletics	-	10 500
National Rhythmical Gymnastics Championship	-	1 500
Maskanda Festival	-	182 000
Downstream Alluminium Centre for Technology	150 000	150 000
eSikhawini Kyokushin Karate Club	-	16 000
Black Industrialist Business Breakfast Partnership	-	100 000
Richards Bay Primary School	-	20 000
Hire of Bus to Enyokeni	55 000	-
uMhlathuze Operation Siyaya Emhlangeni	70 500	-
uMhlathuze Maskandi Festival	500 000	-
Kufeziwe Gospel Celebration	150 000	-
PPE alien vegetation programme	52 353	-
Second Annual Spring Music Tour Festival	200 000	-
	11 517 223	**9 319 378**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
34. Operating expenses		
Advertising	5 717 814	5 432 045
Auditors remuneration	5 078 771	3 332 906
Bank charges	7 007 967	5 965 645
Cleaning	10 568	26 007
Commission paid	6 182 132	6 399 000
Consulting and professional fees	30 190 997	14 287 423
Consumables	2 505 832	2 646 483
Legal expenses	8 384 173	2 413 967
Entertainment	406 457	579 017
Catering Municipal Activities	-	4 402 253
Insurance	4 651 102	3 883 007
Community development and training	6 122 682	3 539 518
Conferences and seminars	808 026	511 871
Employee Awards	377 273	339 910
Examination of samples	7 476 270	6 625 565
Levies	5 892 371	5 435 720
Packaging	155 645	149 346
Pest control	72 885	154 090
Fuel and oil	19 404 725	18 155 169
Resettlement Cost	80 754	123 281
Postage and courier	2 190 331	1 739 216
Printing and publications	332 843	358 665
Workmen's Compensation Fund	4 174 561	3 259 362
External Computer Service	10 040 035	12 798 583
Subscriptions and membership fees	7 544 513	6 828 850
Telephone and fax	2 952 003	3 408 160
Refuse Site Fees	9 213 672	6 549 763
Uniforms	5 552 295	4 292 970
Bursaries	667 343	742 290
Indigent support	201 534	2 697 247
Licences	2 652 038	1 692 563
Materials and Supplies	94 679 797	85 393 847
Travel and Subsistence	4 636 520	4 139 315
Rental of property, plant and equipment	37 262 483	37 790 109
Venue expenses	2 787 060	2 381 541
	295 413 472	**258 474 704**
35. Gains on disposal of land		
Gains on disposal of land	652 684	1 368 441
36. Auditors' remuneration		
Fees	5 078 771	3 332 906

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R
37. Cash generated from operations		
Surplus	290 253 919	213 235 010
Adjustments for:		
Depreciation and amortisation	348 560 825	352 389 418
Gain on sale of assets and liabilities	1 449 010	1 295 842
Debt impairment	27 153 878	8 891 010
Movements in retirement benefit assets and liabilities	(112 452 737)	(8 742 864)
Movements in provisions	1 276 607	901 484
Gain on sale of land	(653 684)	(1 368 439)
Gain on transfer of functions	-	(39 467 128)
Other non-cash items	(1 298 224)	(1 269 806)
Changes in working capital:		
Inventories	1 975 982	(2 351 071)
Consumer debtors	(88 343 234)	(74 964 197)
Other receivables from non-exchange transactions	28 874 681	(16 071 628)
Payables from exchange transactions	(160 792 354)	71 346 118
VAT	44 847 796	18 525 560
Unspent conditional grants and receipts	5 080 346	(17 315 059)
Consumer deposits	14 093 525	22 750 235
	400 026 336	**527 784 485**
38. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Property, plant and equipment	217 311 231	163 443 964
Approved but not yet contracted for		
• Property, plant and equipment	460 884 224	357 811 136
Total capital commitments		
Approved and contracted for	217 311 231	163 443 964
Approved but not yet contracted for	460 884 224	357 811 136
	678 195 455	**521 255 100**

This committed expenditure relates to property and will be financed by available bank facilities, government grants, funds internally generated, etc.

39. Contingencies

Guy Morton Shaw Smith N.O. and 2 others referred to as Indlovu Development Trust (Mzingazi Golf Estate developers) launched an application against council for an amount of R1 142 748.90 in respect of bulk services contribution. They claim that Council unlawfully appropriated this amount from the proceeds of the sale while council was only supposed to levy R 121 355.45. They seek an order for payment of the sum of R 1 142 748.90, interest at the rate of 9% per annum from the date of demand costs of suit and further and / or alternative relief. The matter was defended and is ongoing. The court date has not been set.

Council procured services from Kulu Civils in respect of Tenders 8/2/1/UMH22-15/16 and 8/2/1/UMH23-15/16. The contractor subsequently did not comply with the conditions in the letter of intention to award. The intention to award was subsequently cancelled. Kulu Civils has refered the matter to the Adjudicator who found in favour of the contractor that they were entitled to general costs, loss of profit. The decision of the Adjudicator has been challenged and a review application has been lodged in the High Court. The possible outfflow of economic benefits is R500 000. The matter is ongoing.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018	2017
	R	R

40. Related parties

There were no related party transactions that occurred during the year.

41. Prior-year adjustments

During the year the municipality reversed depreciation on assets that were fully depreciated but still in use. There was also revenue receivable from land sales that was not recognised. There was also suplurs revenue in the previous year that was not transferred to Housing development fund. Presented below are those items contained in the statement of financial position that have been affected by prior-year adjustments:

Statement of Financial Position

2017

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	9	5 230 608 852	58 258 738	5 288 867 590
Intangibles	10	31 410 939	2 313 314	33 724 253
Investment Property	8	124 379 462	(374 471)	124 004 991
Receivables from non-exchange transations	4	122 181 038	4 300 000	126 481 038
Accumulated surplus	19	4 958 861 861	64 185 399	5 023 047 260
Housing Development Fund	18	2 749 778	312 182	3 061 960
		10 470 191 930	**128 995 162**	**10 599 187 092**

Reclassifications

Reclassification of repairs and maintenance.

The Municipality reclassified repairs and maintenance as previously disclosed in the statement of financial performance to ensure that expenses included in this activity are allocated to the respective nature of expenditure. There is no overall effect on surplus. The impact of this reclassification is as follows:

Description	
Amount disclosed as repairs and maintanence	171 286 435
Reclassified to contracted services	(96 446 796)
Reclassified to materials and supplies	(74 839 639)
	-

Reclassification of Service charges

The municipality reclassified service charges to exclude the surcharge on water as it does not meet the defination of revenue from exchange transactions.

Description	
Amount disclosed under service charges	5 340 265
Reclassified to surcharges and taxes	(5 340 265)
	-

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018	2017
	R	R

42. Financial risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and interest rate risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to one year	1 - 5 years	> 5 years	Total
Financial liabilities	198 087 004	417 763 435	120 373 566	736 224 005
Payables from exchange transactions	423 934 014	-	-	423 934 014
	622 021 018	**417 763 435**	**120 373 566**	**1 160 158 019**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Investments	415 000 000	645 000 000
Cash and Cash Equivalents	45 422 240	124 745 373
Long term receivables	-	48 103
Consumer debtors	412 170 563	350 981 207
Receivables from non exchange transactions	97 606 357	126 481 038

Market risk

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

42. Financial risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain its borrowings in fixed rate instruments.

43. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

44. Unauthorised expenditure

Opening Balance	-	124 815 000
Condoned by Council	-	(124 815 000)
	-	**-**

Unauthorised expenditure incurred in prior year related to over expenditure on non-cash items. This expenditure was condoned by Council on 24 January 2017 under resolution 11331.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	7 544 513	6 828 850

Audit fees

Current year subscription / fee	5 078 771	3 332 906

PAYE and UIF

Opening balance	-	7 662 452
Current year subscription / fee	108 114 011	95 235 378
Amount paid - current year	(108 114 011)	(95 235 378)
Amount paid - previous years	-	(7 662 452)
	-	**-**

Pension and Medical Aid Deductions

Opening balance	(1 953)	7 208 807
Current year subscription / fee	167 172 217	152 735 146
Amount paid - current year	(167 172 217)	(152 737 099)
Amount paid - previous years	1 953	(7 208 807)
	-	**(1 953)**

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	-	34 246 293
VAT payable	10 601 503	-
	10 601 503	**34 246 293**

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at :

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mthembu SP (Solile P)	-	1 527	1 527
Wanda TP (Thabisile)	-	78	78
Xulu ZZ (Zakheleni)	913	13 195	14 108
	913	**14 800**	**15 713**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini SG (Gift)	178	1 321	1 499
Mthembu SP (Solile P)	-	2 581	2 581
Wanda TP (Thabisile)	-	1 771	1 771
Zondi G (Graduate)	1 645	21 588	23 233
Mthethwa KN (Khethumusa)	912	2 478	3 390
Xulu ZZ (Zakheleni)	1 136	1 558	2 694
	3 871	**31 297**	**35 168**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	12 047 878	28 600 912
Sole Provider	8 176 224	5 994 960
Exceptional case where it is impossible to follow the official procument process	77 854 969	46 331 047
Ratify minor breaches of the procurement process	42 988	-
	98 122 059	**80 926 919**

46. Budget differences

Explananation of variances between approved and final budget amounts

The reason for the variance between approved and final budget is mainly due to the adjustments budget that was approved by Council on 28 February 2018 under resolution 12256.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018	2017
	R	R

46. Budget differences (continued)

Explanation of variances greater than 20% between final budget and actual amounts

Statement of Financial Performance

Revenue

Other Income: The variance is the result of mainly a decreased in revenue received on extension fees for engineering contribution .

Interest Received- Investment: The variance is the result of increased in surplus funds available for investments during the year mainly due to delayed capital expenditure.

Interest Earned - Outstanding debtors: The variance is due to interest levied on outstanding study loan fees.

Expenditure

Contracted Services: The variance is mainly due to reduced expenditure on sewerate and waste disposal

General Expenses: The variance is due to reduced expenditure on material and supply, legal fees and uniforms

47. Surcharges and Taxes

Water surcharges	4 492 333	5 340 265

48. Contractual Liabilities

Guarantee by uMhlathuze Municipality in respect of Postal Services is R 200 000.

49. VAT payable

VAT	10 601 503	-

50. Operating lease

The municipality as a lessee

At the reporting date, the municipality has an outstanding commitments under operating leases which fall due as follows:

IT equipment	2018	2017
Within one year	2 306 547	1 331 618
In the second to the fifth year inclusive	7 026 041	2 219 363
	9 332 588	**3 550 981**

Operating lease payment represents rentals payments by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers. No contingent rent is payable.

Notes to the Annual Financial Statements for the year ended 30 June 2018

	2018 R	2017 R

51. Transfer of functions between entities not under common control

Transfer of function 1

On 11 August 2017 the municipality took over 3 wards from former Ntambanana municipality due to the de-establishment of Ntambanana municipality as a result of re - determination of boundaries in terms of Section 21 of the Local Government: Municipal Demarcation Act , 1998 (ACT NO 27 of 1998) and Provincial notice 15 of 2016. The amount representing cash and cash equivalents due to uMhlathuze Municiaplity has not been received as yet and is currently disclosed under other receivables in the statement of financial position. The bank account where funds of the former Ntambanana Municipality are held is with ABSA bank and the account number is 4054154293. The balance on the bank account as at 30 June 2018 is R13 227 013.24.

The municipality used transitional provisions as per Directive 3 to report provisional amounts for assets and liabilities acquired through this transfer.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Property , pland and equipment	-	33 725 357
Intangible assets	-	97 488
Vat recievable	-	686 489
Receivables from exchange transactions	-	1 693 788
Cash and cash equivalents	-	5 639 797
Unspent conditional grants and receipts	-	(968 082)
Provisions	-	(8 226)
Payables from echange transactions	-	(1 399 483)
Total identifiable net assets	**-**	**39 467 128**

52. Water Losses

Water losses for uMhlathuze Municipality calculated at a variable cost per KL		
Total produced and purchased (KL) amounts to:	35 765 914	32 596 276
Total sold (KL)	28 103 435	24 094 620
Water loss (KL)	7 662 480	8 501 656
% Loss	21	26
Variable Cost (KL)	5	4
Loss in rand value	**60 295 016**	**34 006 624**

Water Losses are attributed to the following reasons:

Non-technical reasons: Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individuals are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons: Aged reticulation without sufficient replacement, refurbishment and maintenance.

53. Electricity Losses

Electricity losses for uMhlathuze Municipality calculated at a unit cost per kilowatt		
Total Purchases (KW)	1 053 954 829	1 155 330 744
Total Sold (KW)	990 116 354	1 068 081 471
Electricity loss (KW)	63 838 475	87 249 273
% Loss	6	8
Unit Cost / KW	1.25	1.06
Loss in rand value	**79 798 093**	**92 484 229**

Electricity losses are attributable to the following reasons:

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

53. Electricity Losses (continued)

Non-technical reasons : Theft, unmetered supply and error in metering.

Technical reasons : Electrical resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

Appendix A
June 2018

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2017	Received during the period	Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa								
Development Bank of South Africa	10593	2018/03/31	967 056	-	967 056	-	-	-
Development Bank of South Africa	10597	2018/03/31	1 308 675	-	1 308 675	-	-	-
Development Bank of South Africa	103170	2018/12/31	56 529 776	-	36 613 177	19 916 599	-	-
Development Bank of South Africa	103494	2019/06/30	8 970 997	-	4 336 681	4 634 316	-	-
Development Bank of South Africa	103494	2019/06/30	29 833 411	-	14 079 055	15 754 356	-	-
			97 609 915	**-**	**57 304 644**	**40 305 271**	**-**	**-**
Other loans								
Rand Merchant Bank	UMHL	2019/06/30	3 383 832	-	2 171 605	1 212 227	-	-
INCA		2019/06/28	60 208 211	-	28 815 837	31 392 374	-	-
Nedbank	05/7831/2	2019/12/31	67 833 915	-	24 946 321	42 887 594	-	-
Nedbank	783100387/3	2022/06/17	48 135 220	-	7 713 466	40 421 754	-	-
Nedbank	7831003878/4	2024/06/28	70 000 000	-	10 000 000	60 000 000	-	-
Standard Bank	407554	2026/06/30	348 437 779	-	25 232 658	323 205 121	-	-
			597 998 957	**-**	**98 879 887**	**499 119 070**	**-**	**-**
Total external loans								
Development Bank of South Africa			97 609 915	-	57 304 644	40 305 271	-	-
Other loans			597 998 957	-	98 879 887	499 119 070	-	-
			695 608 872	**-**	**156 184 531**	**539 424 341**	**-**	**-**

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation — Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	525 026 950	-	-	-	-	-	**525 026 950**	-	-	-	-	-	**-**	525 026 950
	525 026 950	**-**	**-**	**-**	**-**	**-**	**525 026 950**	**-**	**-**	**-**	**-**	**-**	**-**	**525 026 950**
Infrastructure														
Electrical Infrastucture	791 192 545	57 295 149	-	-	-	-	**848 487 694**	(312 739 904)	-	10 674 466	(30 052 591)	-	**(332 118 029)**	516 369 665
Information and community infrastructure	48 038 375	32 841 444	-	-	-	-	**80 879 819**	(2 150 120)	-	85 628	(2 249 245)	-	**(4 313 737)**	76 566 082
Rail Infrastructure	6 106 569	-	-	-	-	-	**6 106 569**	(4 166 016)	-	129	(162 455)	-	**(4 328 342)**	1 778 227
Road Infrastructure	2 613 367 600	57 593 825	-	-	-	-	**2 670 961 425**	(1 688 839 903)	-	8 549 104	(61 085 331)	-	**(1 741 376 130)**	929 585 295
Solid waste infrastructure	11 125 676	266 716	-	-	-	-	**11 392 392**	(4 167 020)	-	57 988	(527 518)	-	**(4 636 550)**	6 755 842
Sanitation Infrastructure	1 784 681 469	86 257 159	-	-	-	-	**1 870 938 628**	(909 726 597)	-	(2 752 767)	(44 560 849)	-	**(957 040 213)**	913 898 415
Storm water Infrastructure	830 825 556	-	-	-	-	-	**830 825 556**	(586 245 237)	-	712 174	(17 432 308)	-	**(602 965 371)**	227 860 185
Water Supply infrastructure	4 639 701 717	84 555 146	-	-	-	-	**4 724 256 863**	(3 321 012 358)	-	3 639 960	(111 557 775)	(239 264)	**(3 429 169 437)**	1 295 087 426
	10 725 039 507	**318 809 439**	**-**	**-**	**-**	**-**	**1 043 848 946**	**6 829 047 155)**	**-**	**20 966 682**	**(267 628 072)**	**(239 264)**	**(7 075 947 809)**	**3 967 901 137**
Community Assets														
Cemetries/Crematoria	20 078 956	305 144	-	-	-	-	**20 384 100**	(6 058 376)	-	183 715	(733 644)	-	**(6 608 305)**	13 775 795
Clinics/Care Centres	3 191 550	-	-	-	-	-	**3 191 550**	(332 960)	-	14 285	(130 411)	-	**(449 086)**	2 742 464
Creches	11 615 535	-	-	-	-	-	**11 615 535**	(1 701 929)	-	(40 804)	(422 228)	-	**(2 164 961)**	9 450 574
Fire/Ambulance Stations	19 521 048	6 688 385	-	-	-	-	**26 209 433**	(1 782 621)	-	(11 895)	(673 482)	-	**(2 467 998)**	23 741 435
Halls	34 211 714	1 935 065	-	-	-	-	**36 146 779**	(10 550 189)	-	636 316	(1 517 332)	-	**(11 431 205)**	24 715 574
Libraries	20 632 359	84 314	-	-	-	-	**20 716 673**	(8 967 908)	-	592 092	(866 690)	-	**(9 242 506)**	11 474 167
Markets	3 263 981	7 227 326	-	-	-	-	**10 491 307**	(208 568)	-	(34)	(148 546)	-	**(357 148)**	10 134 159
Parks	71 387 483	-	-	-	-	-	**71 387 483**	(22 087 117)	-	139 067	(1 957 849)	-	**(23 905 899)**	47 481 584
Public Ablution Facilities	13 463 582	-	-	-	-	-	**13 463 582**	(8 450 977)	-	1 750 570	(741 301)	-	**(7 441 708)**	6 021 874
Taxi Ranks/Bus Terminals	10 308 391	18 271 253	-	-	-	-	**28 579 644**	(5 730 419)	-	3 995	(696 511)	-	**(6 422 935)**	22 156 709
Sport & Recreation Facilities	239 987 756	9 617 444	-	-	-	-	**249 605 200**	(78 006 196)	-	(905 194)	(10 228 396)	-	**(89 139 786)**	160 465 414
	447 662 355	**44 128 931**	**-**	**-**	**-**	**-**	**491 791 286**	**(143 877 260)**	**-**	**2 362 113**	**(18 116 390)**	**-**	**(159 631 537)**	**332 159 749**

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Painting and art galleries	2 766 994	-	-	-	-	-	**2 766 994**	-	-	-	-	-	-	2 766 994
	2 766 994	**-**	**-**	**-**	**-**	**-**	**2 766 994**	**-**	**-**	**-**	**-**	**-**	**-**	**2 766 994**
Specialised vehicles														
Other assets														
Computer Equipment	38 471 999	1 215 045	(727 196)	-	-	-	**38 959 848**	(27 934 142)	542 504	6 247 972	(4 602 038)	-	**(25 745 704)**	13 214 144
Furniture and Office Equipment	24 846 702	2 051 153	(47 903)	-	-	-	**26 849 952**	(16 106 000)	41 930	1 693 210	(3 103 674)	-	**(17 474 534)**	9 375 418
Machinery and Equipment	240 399 870	48 457 163	(113 141)	-	-	-	**288 743 892**	(119 275 433)	98 763	16 971 243	(23 947 199)	-	**(126 152 626)**	162 591 266
Operational Buildings	313 136 104	27 598 302	-	-	-	-	**340 734 406**	(168 746 369)	-	9 479 910	(14 112 330)	-	**(173 378 789)**	167 355 617
Transport Assets	95 927 086	22 638 478	(2 422 630)	-	-	-	**116 142 934**	(54 181 865)	1 178 664	6 130 273	(11 797 830)	-	**(58 670 758)**	57 472 176
	712 781 761	**101 960 141**	**(3 310 870)**	**-**	**-**	**-**	**811 431 032**	**(417 520 586)**	**1 861 861**	**40 522 608**	**(57 563 071)**	**-**	**(432 699 188)**	**378 731 844**

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	525 026 950	-	-	-	-	-	**525 026 950**	-	-	-	-	-	**-**	525 026 950
Infrastructure	10 725 039 507	318 809 439	-	-	-	-	**1 043 848 946**	(6 829 047 155)	-	20 966 682	(267 628 072)	(239 264)	**(7 075 947 809)**	3 967 901 137
Community Assets	447 662 355	44 128 931	-	-	-	-	**491 791 286**	(143 877 260)	-	2 362 113	(18 116 390)	-	**(159 631 537)**	332 159 749
Heritage assets	2 766 994	-	-	-	-	-	**2 766 994**	-	-	-	-	-	**-**	2 766 994
Other assets	712 781 761	101 960 141	(3 310 870)	-	-	-	**811 431 032**	(417 520 586)	1 861 861	40 522 608	(57 563 071)	-	**(432 699 188)**	378 731 844
	12 413 277 567	**464 898 511**	**(3 310 870)**	**-**	**-**	**-**	**2 874 865 208**	**(7 390 445 001)**	**1 861 861**	**63 851 403**	**(343 307 533)**	**(239 264)**	**(7 668 278 534)**	**5 206 586 674**
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														
Land and buildings	525 026 950	-	-	-	-	-	**525 026 950**	-	-	-	-	-	**-**	525 026 950
Infrastructure	10 725 039 507	318 809 439	-	-	-	-	**1 043 848 946**	(6 829 047 155)	-	20 966 682	(267 628 072)	(239 264)	**(7 075 947 809)**	3 967 901 137
Community Assets	447 662 355	44 128 931	-	-	-	-	**491 791 286**	(143 877 260)	-	2 362 113	(18 116 390)	-	**(159 631 537)**	332 159 749
Heritage assets	2 766 994	-	-	-	-	-	**2 766 994**	-	-	-	-	-	**-**	2 766 994
Other assets	712 781 761	101 960 141	(3 310 870)	-	-	-	**811 431 032**	(417 520 586)	1 861 861	40 522 608	(57 563 071)	-	**(432 699 188)**	378 731 844
	12 413 277 567	**464 898 511**	**(3 310 870)**	**-**	**-**	**-**	**2 874 865 208**	**(7 390 445 001)**	**1 861 861**	**63 851 403**	**(343 307 533)**	**(239 264)**	**(7 668 278 534)**	**5 206 586 674**

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2018

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Jun	
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	47 115	39 282	34 632	31 154	-	262 409	427 824	-	-	None
Museum Subsidy	KZN - Dept of Edu & Culture	-	-	183 000	-	3 677 179	1 026 241	570 606	834 730	-	None
Housing operationa acc	KZN - Dept of Housing	-	-	1 316 040	-	3 243 288	3 298 559	3 327 374	3 405 362	-	None
Municipal Infrastructure Grant	National Treasury	16 000 000	44 000 000	48 742 000	-	12 520 335	34 242 486	10 837 808	51 141 371	-	None
Financial Management Grant	National Treasury	2 650 000	-	-	-	145 146	284 978	1 087 640	1 132 263	-	None
Equitable share	National Treasury	121 671 000	94 715 000	75 623 000	-	-	-	-	-	-	None
EPWP		1 036 000	1 864 000	1 243 000	-	1 540 283	1 155 525	1 170 406	276 786	-	None
Infrastructure Skills Development Grant	National Treasury	2 500 000	-	4 000 000	-	698 115	804 194	1 200 551	2 830 372	(2 621 000)	Grant unspent at 17/18
Municipal Dermacation Grant	National Treasury	2 283 000	-	3 926 000	-	1 487 563	1 736 390	525 319	2 459 728	-	None
Waste Water Infrastructure	National Treasury	-	-	34 000 000	-	12 993 786	15 092 242	5 699 250	214 722	-	None
Electrification	National Treasury	6 000 000	4 000 000	5 000 000	-	-	3 188 424	1 258 038	2 983 769	-	None
Discount benefit scheme	KZN - Dept of Hosing	4 943	4 451	3 487	3 316	-	42 000	8 000	45 600	-	None

Museum Refurbishment	KCDM	-	-	-	-	-	-	-	11 849	-	None
Capacity Building	KCDM	-	-	-	-	-	-	-	1 770	-	None
Funeral Speaker	KZN - Dept of Hosing	-	-	100 000	-	-	-	100 000	-	-	None
Libraries - Internet Access	KZN - Dept of library services	1 504 000	-	-	-	312 756	335 146	386 253	318 032	-	None
Library Subsidy	KZN - Dept of library services	7 881 000	-	-	-	5 094 002	5 307 852	5 907 893	5 664 333	-	None
Career Expo	Dept of public works	800 000	-	-	-	800 000	-	-	-	-	None
Asset Donated	Dept of Arts & Culture	-	-	-	339 623	-	-	-	339 623	-	None
Asset Donated	Dept of sport	-	-	-	857 902	-	-	-	857 902	-	None
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	-	800 000	-	-	1 000 000	-	-	None
Service delivery on Electrical Services	KZN - COGTA	-	-	-	-	-	-	-	3 977	-	None
Informal trading stalls	KZN - COGTA	-	-	-	-	-	343 043	-	-	-	None
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	212 699	-	None
MunicipalExcellence Award	KZN - COGTA	-	-	-	-	-	299 304	-	57 127	-	None
Urban Dev Plan	KZN - COGTA	-	-	-	-	-	-	-	19 610	-	None
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	19 038	-	None
GIS	KZN - COGTA	-	-	-	-	-	-	-	249	-	None
Sport & Rec	Dept of Sport	889 500	-	-	-	-	-	-	58 137	-	None
Cleanest town	Water Affairs	-	-	-	-	-	-	-	22 863	-	None
Restructuring grant	National Treasury	-	-	-	-	-	-	-	9 385	-	None
		163 266 558	144 622 733	174 171 159	2 031 995	42 512 453	67 418 793	33 506 962	72 921 297	(2 621 000)	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.